



Financial Affairs Committee
July 20, 2001

1. Participants

--Ron Jacobsma, FWUA	--George Senn, CVPWA
--Russell Harrington, WWD	--Alan Thompson, EBMUD
--Jim Bjornsen, BOR	--Mike Finnegan, BOR
--Lynn Hurley, SCVWD	--Tad Berkebile, SCWA
--Mark Oosterman, SMUD	--Jesus Reynoso, BOR
--Ara Azhederian, SLWD (Call-in)	--Gloria Starkovich, FWUA
--Tona Mederios, SLDMWA (Call-in)	

2. Opening Business

The July meeting was held in the ACWA Office Boardroom, 910 K Street, Sacramento. The meeting began at 9:30 a.m. and concluded at 11:30 a.m. The agenda was reviewed and approved as submitted.

The next Financial Affairs Committee meeting will be held on **August 17 at 9:30 a.m. in the ACWA Office Boardroom, 910 K Street, Sacramento.**

3. FAC Issues Matrix Status.

A. Capital Rate-setting Methodology. Ron provided the group with an update of the team's progress. He said that the team has been working with a model developed by Lynn Hurley to test water delivery scenarios to see how they affect water rate volatility and project repayment. He cautioned that the water contractors would ultimately have to buy-in to any changes made to the water delivery projections currently used by Reclamation to develop water rates (Schedule A-12). Mike said that the Reclamation team has been somewhat stalled by other pressing Reclamation work but hopes to get back on the project as soon as possible. He said that if the necessary work is not completed in time for inclusion in the 2002 water rates, it could be put off until the following year. He said that if the work is done and buy-in is obtained from the water contractors by October 1, 2001, the new methodology could be used to calculate the 2002 rates. The drop-dead date would be November 30, coinciding with the completion of the 60-day comment period on the new rates, in order for the rates to be finalized by January 1, 2002.

B. PUE Issues (current and post-2004). Ron reported that Chase Hurley had worked with Western and Reclamation to put on power workshops in Willows, Los Banos, and Fresno to inform interested water contractors about PG&E's efforts to get out from under its load balancing contract with Western and the implications such action could have on preference power costs and CVP water rates. Reclamation and Western personnel did an excellent job in providing information surrounding the current energy dilemma. Additional power workshops will be held if events dictate the need.

C. Cost Recovery for CVPIA Programs and Activities. Mike Finnegan reported that Reclamation is working internally on this issue and will put together an issue paper sometime in the near future. He said that as of this date none of these reimbursable costs have been dumped into the rate base. He said it involves a large dollar amount, but was not sure how much. Ron commented that the water contractors should discuss how to address the issue and should become familiar with the CVPIA Restoration Fund and offset provisions. The main concern from the water contractors' standpoint is whether the funds they paid into the Restoration Fund should be used for future reimbursable project purposes and then be charged to them again in their water rates. Reclamation's opinion is that Restoration Fund payments are deposited with the US Treasury and cannot be used without Congressional authorization/appropriation. If Congress appropriates funds for Restoration Fund activities the reimbursable costs must be repaid just as any other reimbursable cost must be repaid.

D. Water Marketing Rate Review and Analysis. Jim Bjornsen reported that the team has reviewed the CVP Storage O&M and Water Marketing costs for the period 1992 through 2001 and has analyzed the associated PUE and G&A costs included in the rates. The team also has analyzed Reclamation's use of non-permanent contractor revenues to reduce Water Marketing costs. Worksheets were passed out showing the results of the Water Marketing and Storage O&M analyses. The Water Marketing analysis shows that Water Marketing revenues received from water contractors exceed actual costs by about \$1.1 million per year. In addition, non-permanent contractor derived revenue, which Reclamation applies to Water Marketing costs, has averaged about \$1.6 million over the analysis period. Reclamation will be examining in closer detail the PUE and G&A costs and associated non-permanent contractor revenues and has scheduled an August 3 conference call to discuss the results of that review.

E. Reclamation Water Accounting Program and JAD Session. Jim Bjornsen reported that Reclamation has pretty much completed its testing of the new water accounting program. He said that it would soon be available for use by the water contractors. He has scheduled training sessions on August 16 (11:30-3:30) and August 24 (9:00-1:00) for interested water contractors. In response to water contractor requests, Jim has agreed to provide read ahead material on BOR-WORKS and a brief workbook on the system showing screens, menus, use instructions, etc., to help prepare contractor representatives for the sessions. Jim said that during the

session, contractors would have the opportunity to run their own numbers through the system to see how it works. JAVIS is now working on Build III, which will make the system Web enabled. This should be completed by the end of September.

F. Fall Budget Process. Mike Finnegan said that Reclamation would be reissuing its policy letter regarding the budget process sometime in September or October. He said that he would like to nail down the process for reviewing and prioritizing budget activities. He said that making sure the budget activity plans include sufficient information to explain the nature of the proposed expenditures is a high priority for the fall budget process. Mike is going to check with Roger Pollack to find out when the activity plans will be available for water and power contractor review.

4. **Trinity River PUD Resolution.** Ron reported that this issue is closed. Reclamation will include the costs in the water rates rather than bill each contractor separately.
5. **Forbearance Agreement Financial Issues.** Ron reviewed a letter from the Friant Water Users Authority sent to Reclamation requesting information relative to the financial impacts of a forbearance agreement in which Westlands Water District is to obtain transferred water from Sacramento River Contractors. In summary, his letter suggested that the agreement was unclear as to the nature of this water and the applicable water ratesetting policies, the Restoration Fund charges and/or Warren Act charges applicable to this water, and the consistency and equity of such application within the CVP.
6. **Reclamation Transfer Policy Change.** Ron reported that Reclamation is proposing to implement changes to the CVP water rate-setting policies relative to water transfers. He said the proposed revisions have been developed without input from the water contractors or other interested parties. He went on to say that the Area Offices are being instructed to implement the changes even though the details of the revisions are generally unknown. He suggested that the CVPWA should write a letter to Reclamation outlining the above concerns.
7. **Interest-Based Problem Solving Training – Granlibakken.** Mike reported that the training class is essentially full—there might be room for one or two more participants. The training will start at 1:00pm on Monday August 27 and end at 12:00 on August 30. Mike is trying to schedule a tour of Reclamation’s Lake Tahoe Dam in Tahoe City sometime during the session.
8. **Reclamation’s CVP Cost Allocation Methodology.** The Bureau has selected its preferred cost allocation methodology. The issue is now closed.
9. **Reports on Ongoing FAC Interest Issues:**
 - A. **Direct Funding Agreements.** Ron reported that the Tehama-Colusa Canal Authority is reviewing the latest Reclamation proposal relative to their Direct Funding Agreement. The Friant Water Users Authority and the San Luis-Delta

Mendota Canal Authority are waiting for new service contracts from Reclamation.

B. EBMUD Amendatory Contract. Nothing new.

C. Folsom South Canal O&M Costs. Nothing new.

10. **CVPWA Website.** George Senn reported that Reclamation has offered to assist the CVPWA set up a website that will be capable of providing general information to the public and well as more secure information (via a password) for its members. The website will be linked to Reclamation's website and other sites that have information of interest to federal water contractors. George cautioned that the website must be fairly easy to maintain and not consume endless hours of time in updating the information.